

COASTAL CONSERVANCY

Staff Recommendation

January 27, 2005

FRESHWATER FARMS

File No. 04-095

Project Manager: Michael Bowen

RECOMMENDED ACTION: Authorization to disburse up to \$238,950 to the Northcoast Regional Land Trust to acquire the 54-acre Freshwater Farms property in Eureka, California, and \$16,500 to develop a management plan and signage for the site.

LOCATION: Eureka, Humboldt County (Exhibit 1).

PROGRAM CATEGORY: Resource Enhancement and Agricultural Preservation

EXHIBITS

Exhibit 1: Project Location and Site Map

Exhibit 2: Letters of Support

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following Resolution pursuant to Sections 31150-31156 and 31251-31270 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed two hundred thirty-eight thousand nine hundred fifty dollars (\$238,950) to the Northcoast Regional Land Trust (“NRLT”) to acquire the 54-acre Freshwater Farms property in Eureka, California, Humboldt County, Assessors Parcel Number 402-291-015, as shown on Exhibit 1 to the accompanying staff recommendation, and further authorizes the disbursement of sixteen thousand five hundred dollars (\$16,500) to develop a management plan and signage for the site, subject to the following conditions:

1. Prior to the disbursement of any Conservancy funds for acquisition, NRLT shall submit for review and approval by the Executive Officer:
 - a. All relevant acquisition documents, including, but not limited to, the appraisal, agreement(s) of purchase and sale, escrow instructions and documents of title, and an access agreement between the seller and buyer.
 - b. Evidence that sufficient funds are available to complete the acquisition.
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2. NRLT shall permanently dedicate the property for agricultural and open space preservation, habitat conservation and wetlands enhancement, and public access, in a manner acceptable to the Executive Officer, in accordance with Public Resources Code Section 31116(b).
 3. NRLT shall pay no more than fair market value for the property, as established in an appraisal approved by the Executive Officer.
 4. Conservancy funding shall be acknowledged by erecting and maintaining a sign on the property that has been reviewed and approved by the Executive Officer.
 5. Prior to disbursement of any Conservancy funds for development of a management plan and signage, NRLT shall submit for the review and approval of the Executive Officer a detailed work program and the names and qualifications of any contractors to be employed on the project.”

Staff further recommends that the Conservancy adopt the following findings:

“Based on the accompanying staff report and attached exhibits, the State Coastal Conservancy hereby finds that:

1. The proposed project is consistent with the purposes and criteria set forth in Chapter 4 of Division 21 of the Public Resources Code (Sections 31150-31156) regarding the preservation of agricultural land.
2. The proposed project is consistent with the purposes and criteria set forth in Chapter 6 of Division 21 of the Public Resources Code (Sections 31251-31270) regarding the enhancement of coastal resources.
3. The proposed project is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on January 25, 2001.
4. The Northcoast Regional Land NRLT is a non-profit organization existing under section 501(c)(3) of the Internal Revenue Service code whose purposes are consistent with Division 21 of the Public Resources Code.”

PROJECT SUMMARY:

The proposed authorization would enable the Northcoast Regional Land Trust (“NRLT”), a nonprofit organization, to acquire and develop a management plan for 54-acres of agricultural land adjacent to Freshwater Farms to protect and maintain its agricultural use and improve its ecological values. NRLT’s goals for purchasing this property are two-fold: 1) to preserve the agricultural quality of this coastal property and thereby protect working farms in Humboldt County and 2) to promote and participate in a proposed, and Department of Fish and Game-sponsored, estuarine wetlands restoration project on the property and thereby improve the water quality and habitat value of tributaries to Humboldt Bay. NRLT seeks to acquire fee simple title for this parcel and subsequently to develop an overall management plan that provides for enhancement and recreational

access opportunities; to implement a proposed wetland restoration project on the site; and to develop an access agreement with the current property owner which would provide for the owner's continued access to and agricultural use of a portion of the property after NRLT's acquisition. NRLT will impose restrictions on the continued agricultural use of the property that will protect and enhance existing wildlife resources, and establish agricultural practices that are compatible with the protection and enhancement of wildlife on the property.

NRLT intends to maintain the land as a working farm and future estuarine wetland restoration site in a manner that supports creek and estuary enhancement activities. At present, the best agricultural use of this property appears to be a continuation of growing and collecting activities by Freshwater Nursery, a business owned by the current property owner Rick Storre, that provides a reliable supply of native plants used locally and afar for revegetation and for environmental enhancement projects. Upon title transfer, NRLT will enter into a two-year access agreement that allows Freshwater Nursery to: 1) Collect willow and cottonwood cuttings in the area currently under cultivation (approximately one acre); 2) Use and maintain the existing trail leading to the cultivated area and canoe launch site, and; 3) Access the property for the purpose of wild seed collecting, subject to the conditions of an NRLT approved management plan, a plan which will also include a provision for compulsory property maintenance, including trash pickup, by Mr. Storre. Mr. Storre has indicated his support of this arrangement. NRLT hopes this project will help to garner community support for future estuarine enhancement projects that provide for the protection and promotion of agricultural landscapes throughout the County.

The property owner and the California Department of Fish and Game ("DFG") have completed designs for the expansion of estuarine habitat and an enhancement plan that would provide approximately 35 acres of restored estuarine and wetland habitat for juvenile salmonids and other wetland-dependent species. This proposed enhancement project includes breaching of levees and partial flooding of the property for the purpose of improving water quality and habitat value in Humboldt Bay tributaries by reclaiming historic tidal wetland now isolated from the main channel by historic diking, ditching, and draining. It is expected that the project would enhance the estuarine and riparian habitat of lower Freshwater Creek, a tidally influenced portion of an historically important anadromous fish stream. The project has the potential to provide estuarine backwater channel habitat in a watershed where the virtual absence of such habitat is understood to be a primary limiting factor for resident coho and Chinook salmon and steelhead and cutthroat trout populations. In funding the acquisition of the site, the Conservancy will ensure that a creative and promising wetland enhancement project can proceed. NRLT is committed to the implementation of this enhancement project after the acquisition of the property is completed, and has already begun fundraising efforts to ensure a timely implementation of the proposed estuary enhancement.

Site Description: The property is located at Freshwater Corners, west of Myrtle Avenue, in Eureka, Humboldt County. It is located in the lower and tidally influenced reach of Freshwater Creek near Humboldt Bay. The creek, which drains a 20,000-acre watershed, forms the north side of the parcel.

The Freshwater Farms Nursery, a working wetland nursery business owned by Mr. Rick Storre, consists of two parcels; a 54-acre parcel that is the subject of this proposal, and a 20-acre parcel with structures that Mr. Storre will retain. Both parcels are zoned Agricultural Exclusive and are managed for the production and sale of wetland and native riparian plants. Due to the zoning, the property's location within the coastal zone, and the presence of wetlands, the property is considered to be at very low risk of development. However, the availability of a large parcel suitable for estuarine habitat restoration is as attractive as it is unusual, and the further existence of a completed enhancement plan for the site bodes well for an imminent enhancement project. Moreover, there is a strong likelihood that if the Conservancy does not fund this purchase that the property will revert to the original owner, who holds a deed of trust on the property, who likely will use it for livestock grazing, and who has not expressed support for estuarine enhancement on the property.

Prior to the current land use, the property was used for dairy ranching, formerly a mainstay of Humboldt County's agricultural sector. In fact, the project site was the first Class A dairy in Humboldt County, though it has not been an active dairy since the 1950s. Freshwater Nursery's current use is an intriguing diversification of the agricultural sector in Humboldt County, a use that promises to contribute to and support the growing environmental enhancement sector of the County's economy. This sector of the economy has grown by hundreds of jobs in previous years.

Project History: Historically the property was known as Nielson Ranch, but Mr. Storre has managed the property for approximately twenty years. In that time he has planted thousands of trees along the stream bank, and utilized much of the area for his wetland nursery business.

Evidently, the lower reach of Freshwater Creek once had more meanders and riparian and tidal wetlands, but these areas were altered by the widespread diking, ditching, and drainage of historic wetlands. The property that is the subject of this acquisition provides a rare opportunity to restore estuarine habitat at the same time as permitting compatible agricultural production. Towards this end, the California Department of Fish and Game, Mr. Storre, and private consultants have designed a proposed estuarine wetland restoration project for the subject property, a project that would enable continued current agricultural practices to continue, but would provide for the conversion of 35 acres of low-quality pasture to estuarine habitat suitable for rearing juvenile salmonids and other wetland dependent species.

In order to help fund and achieve this project, Mr. Storre approached a number of parties, including the Conservancy, with a proposal to sell portions of this property for the aforementioned purpose. At his own expense, Mr. Storre conducted an appraisal, provided project descriptions, and encouraged many to pursue this estuary enhancement project. NRLT met with Mr. Storre and together they have established an arrangement whereby the seller will donate a large portion of his revenue from the sale to a permanent endowment established to provide long-term funding for property maintenance and

property tax payments. Thus, the proposed project will, uncharacteristic to many historic conservation land acquisitions, ensure both permanent maintenance funding for the property, and not remove the subject property from the County's tax rolls. Further, the sale promotes agricultural uses locally by conditionally allowing Mr. Storre to maintain access to the transferred parcel for willow-cutting and collection, and public education purposes.

NRLT initially contacted Conservancy staff in 2003 and has worked over the last year to negotiate the terms of the sale to the satisfaction of Conservancy staff. The appraisal assigned a value of \$270,000, and NRLT and Mr. Storre have agreed on a price of \$254,500.

PROJECT FINANCING:

Coastal Conservancy <i>(acquisition, closing costs, management plan)</i>	\$255,450
Freshwater Farms <i>(Endowment, bargain sale, appraisal, proposal materials)</i>	\$100,500
Northcoast Regional Land NRLT	\$5,000
California Department of Fish and Game <i>(Acquisition: Adaptive Management Grant Program)</i>	\$25,000
California Department of Fish and Game (in kind) <i>(Wetland Restoration Planning Grant)</i>	\$29,885
Total Project Cost	\$415,835

The expected source of Conservancy funds for this project is the FY 03/04 appropriation to the Conservancy from the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50). Proposition 50 authorizes the Conservancy's use of these funds for the purpose of protecting coastal watersheds through projects undertaken pursuant to the Conservancy's enabling legislation (Division 21 of the Public Resources Code) to acquire, restore or protect water and land resources (Water Code Section 79570). Funds may also be used for planning and permitting associated with projects of this type. The acquisition of the Freshwater Nursery property achieves just these objectives and is consistent with Division 21, as discussed in detail below, under the heading "Consistency with Conservancy's Enabling Legislation".

Among other matches to the project, NRLT and the seller have negotiated terms of sale that provide a seller's charitable donation to the project of \$80,000 for the purpose of establishing a permanent endowment for maintenance of the property in perpetuity. The seller has also funded the proposal and appraisal costs, and the Department of Fish and

Game, with financial support from the National Marine Fisheries Service, has funded the design for the proposed estuarine wetland restoration project associated with this project.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The proposed project is undertaken pursuant to Chapter 4 and Chapter 6 of Division 21 of the Public Resources Code (Sections 31150-31156 and Sections 31251-31270, respectively), as follows:

Pursuant to Section 31156, the Conservancy may award grants to non-profit organizations for the purpose of acquiring fee title in land located in the coastal zone in order to prevent loss of agricultural land to other uses. Consistent with this section, the proposed project provides funds to NRLT to acquire fee simple title for Freshwater Farms, and thereby prevent future decline or loss of agricultural potential, and to work to maintain Freshwater Nursery as a working farm.

Pursuant to Section 31251, the Conservancy may award grants to non-profit organizations for the purpose of enhancement of coastal resources that, because of human-induced events, or incompatible land uses, have suffered loss of natural and scenic values. Consistent with this section, NRLT proposes to permanently dedicate the property for the protection and enhancement of existing wildlife resources, including the proposed 35-acre estuarine wetland restoration project, and to maintain agricultural practices on the property compatible with the protection and enhancement of wildlife on the property.

Pursuant to Section 31252, all areas proposed for resource enhancement should be identified in a certified local coastal plan or program as requiring public action to resolve existing or potential resource problems. Freshwater Slough is identified in the Humboldt Bay Area Plan of the Humboldt County Local Coastal Program ("LCP") as a coastal stream and is therefore subject to the protections afforded by Section 30231 of the Coastal Act which establishes that "the biological productivity and the quality of coastal waters...shall be maintained..." (LCP 3-56). Moreover, the County requests in the LCP that the DFG investigate degraded wetlands, such as those at Freshwater Farms, and explore feasible alternatives to improve the wetlands so as to provide "...equal or greater biological productivity and at least equal acreage to the existing wetland." (LCP 3-52). Consistent with this section, the DFG, NRLT, and the current landowner are pursuing a wetland restoration project for the property.

Finally, pursuant to Section 31253, "(the) Conservancy may provide up to the total of the cost of any coastal resource enhancement project..." and the amount of the Conservancy contribution shall be determined only after an assessment of funding generally available and other factors. The proposed contribution by the Conservancy was determined based on application of priority criteria, as discussed below, and after taking into account other available resources and the matching contributions to the project by other funding sources. NRLT, the landowner, and the DFG shall provide matching funds for the proposed project as described in "Project Financing," above.

CONSISTENCY WITH CONSERVANCY'S STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):

Consistent with **Goal 7 Objective A**, the proposed project will enable the grantee to acquire fee interest in 54-acres of agricultural land adjoining Freshwater Slough, thereby providing permanent protection of scenic and habitat values associated with coastal farmland.

Consistent with **Goal 6 Objective A**, the proposed project will enable the grantee to foster agricultural practices such as the protection and enhancement of riparian zones, consistent with the preservation and restoration of Freshwater Slough's existing wildlife habitat. By employing the expertise of the grantee, the Conservancy will ensure measurable increases in available habitat and, presumably, eventual increases in anadromous fish populations and terrestrial species within and surrounding the project area once NRLT is prepared to proceed with the envisioned estuary enhancement project.

Consistent with **Goal 5, Objective A**, the proposed project will enable NRLT to acquire 54-acres of historic coastal wetland habitat, and restore to coastal estuarine wetland at least 35 of those acres.

Consistent with **Goal 5, Objective B**, the proposed project will facilitate the implementation of a project to preserve and restore a riparian habitat corridor between Humboldt Bay to inland riparian zones along Freshwater Slough and Freshwater Creek.

CONSISTENCY WITH CONSERVANCY'S PROJECT SELECTION CRITERIA & GUIDELINES:

The proposed project is consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001, in the following respects:

Required Criteria

1. **Promotion of the Conservancy's statutory programs and purposes:** See the "Consistency with Conservancy's Enabling Legislation" section above.
2. **Consistency with purposes of the funding source:** See the "Project Financing" section above.
3. **Support of the public:** Supporters of this project include the County of Humboldt, the Department of Fish and Game, the United States Fish and Wildlife Service, Redwood Community Action Agency, National Oceanic and Atmospheric Administration: Fisheries, and others. Letters of support are included in the appendix (Exhibit 2).
4. **Location:** Freshwater Farms is located entirely within the Coastal Zone Boundary. See "Site Description" section, above.
5. **Need:** The diminishing economic and social viability of coastal zone agricultural operations in Humboldt County were well documented recently in the County's annual agricultural report. This decline and loss of farms calls out for creative means of protecting working farms and encouraging agricultural diversification within the County, particularly agricultural uses that are consistent with environmental enhancement opportunities. The decline of water

quality flowing into Humboldt Bay, resulting in part from the historic loss of coastal estuarine wetlands, also establish a need to pursue available wetland restoration projects where feasible.

6. **Greater-than-local interest:** Protection of the scenic landscape of the Humboldt Bay Area, including the wildlife habitat and remaining working farms found there, is a conservation and social priority for all Californians. This landscape supports numerous wildlife species, working farms, sport and commercial fisheries, and many other uses that exist in the Humboldt Bay watersheds. This project will serve as a model for ensuring permanent protection of coastal scenic values in the area, while contributing to the protection and maintenance of Eureka's wildlands and agricultural roots.

Additional Criteria

7. **Urgency:** The former owner of the property still holds the note to this property, subject to the current owner's ability to repay the financed sale of the parcel. Should Mr. Storre fail to sell the property, the land will revert to the former owner, who has not expressed any willingness to pursue an estuary restoration project at the site. The availability of a willing seller offering favorable terms and an endowment, in combination with a project partner that has demonstrated the desire to implement the property acquisition and important wetland restoration project, indicate a ripeness and urgency for the proposed project.
8. **Leverage:** See the "Project Financing" section above.
9. **Innovation:** NRLT's efforts to acquire and manage property in a fashion that protects working farms and ranches and scenic coastal values, while also protecting and enhancing wildlife habitat, is a much needed approach to land management in a region where conversion of private land to public land has generated increasing tension. NRLT's approach to conservation consistent with the protection of working farms and ranches through their cultivation of working relationships with landowners is long overdue in Humboldt County and warrants the Conservancy's full support. Moreover, the encouragement of niche agricultural products, such as those produced by Freshwater Nursery, make this a particularly innovative and intriguing project proposal. The project area is located adjacent to one of the most highly-traveled county roads in the region, making it a prime location for a model project and providing opportunities for community outreach and education. NRLT has also developed an innovative means of maintaining acquired property on the tax roles, via the establishment of a property maintenance reserve that is funded through a bargain sale of the property. This transparent effort to resolve long-term maintenance needs with a desire to meet local objectives of keeping properties on the tax roles is an innovative solution to a problem reaching critical proportions in the field of acquisition of property for conservation purposes.
10. **Readiness:** The project applicant has demonstrated that it has the expertise, local public support, and administrative capability necessary to commence and complete the project in a timely fashion.
11. **Realization of prior Conservancy goals:** The Conservancy has worked with a variety of partners to explore options for protecting and improving aquatic and terrestrial habitat in and

around Humboldt Bay, including funding a Humboldt Bay Management Plan. Water quality protection and fishery enhancement are key objectives of this Plan. The project area lies within a watershed that has been and continues to be the focus of a collaborative, community-based salmon recovery effort that is substantial in scale. More salmon-related information exists for this watershed than for any other Humboldt Bay tributary. Coho & Chinook salmon, steelhead trout, and sea-run cutthroat trout are known to utilize the estuary, where regular monitoring occurs. The project is consistent with the restoration goals outlined in the *Draft Humboldt Bay Watershed Salmon and Steelhead Conservation Plan* (2004), written by Redwood Community Action Agency in collaboration with the Humboldt Bay Watershed Advisory Committee.

12. **Cooperation:** Community members, agency officials, NRLT, DFG, the landowner, and others have all expressed support for, and a willingness to, cooperate with the grantee in accomplishing the project.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The proposed project will result in the conveyance of fee title to NRLT who, in turn, will establish restrictions on the property that prevent further development of the ranch for non-agricultural uses, and that protect and enhance the scenic values and wildlife habitat value of the property. The proposed project is therefore consistent with the Coastal Act, sections 30231 and 30241 and 30251, as follows.

Coastal Act Section 30231 states that “(t)he biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained, and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of groundwater supplies and substantial interference with surface water flow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.” The proposed project will expand, protect and enhance the riparian zone of Freshwater Slough, and lead to the restoration of tidal wetland in the Humboldt Bay area. This, in turn, will improve water quality and enhance the biological productivity of the lower river and estuary. The propose project is therefore consistent with this section.

Coastal Act Section 30241 states that “(t)he maximum amount of prime agricultural land shall be maintained in agricultural production to assure the protection of the areas agricultural economy....” The proposed project will, through an access agreement explicitly designed for such a purpose, protect in agricultural use most of this agricultural land. The project is therefore consistent with this section.

Section 30251 of the Act states, in part, that “(t)he scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance.” The proposed project will protect and enhance an already scenic coastal area by permanently protecting and restoring part of historic tidal wetland areas, while maintaining portions of an historic Eureka dairy and a working nursery specializing in native species.

The project area is within the Coastal Zone of Humboldt County. The Humboldt Bay Area Plan of the Humboldt County Local Coastal Program includes specific provisions worth considering for further consistency with the proposed project.

The Humboldt County Local Coastal Plan (LCP) recognizes the agricultural value of the Freshwater Farms area, and for this reason the property is zoned Agricultural Exclusive. Protection of the ranch in its current configuration, combined with the restoration of tidal wetlands to portions of the property, is consistent with the LCP.

The LCP also recognizes the ecological importance of anadromous fish streams, and considers them environmentally sensitive habitat areas. The LCP identifies Freshwater Slough as a designated coastal stream subject to all appropriate levels of protection called for in the Coastal Act. Therefore, acquisition of the property, establishment of property restrictions designed to protect the riparian zone, and projections for an estuarine wetland restoration of degraded wetlands are consistent with the LCP.

COMPLIANCE WITH CEQA:

Acquisition of title to the subject property is categorically exempt from the requirements of the California Environmental Quality Act ("CEQA") under 14 California Code of Regulations Section 15325 because it involves the transfer of an interest in land to preserve existing open space and plant and animal habitat; to allow continued agricultural use; and to allow restoration of natural conditions.

Preparation of the management plan involves only data gathering, planning, and feasibility analyses for possible future actions and is thus statutorily exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations §15262.

Staff will file a Notice of Exemption upon approval.